

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 7021 – SB 7018**  
**FIRST EXTRAORDINARY SESSION**  
January 13, 2010

**SUMMARY OF BILL:** Authorizes the State of Tennessee to issue direct general obligation interest-bearing bonds in amounts not to exceed \$40,000,000. Requires bond proceeds be allocated to the Tennessee Higher Education Commission (THEC) for the purpose of capital outlay and maintenance for institutions of higher education. Authorizes the funding board to issue bonds in amounts not to exceed 2.5 percent of the amount specified above for funding discount and costs of issuance.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$4,400,000 – 1<sup>st</sup> Year Debt Service**

**\$65,200,000 Over life of the bonds**  
**\$40,000,000 Principal**  
**\$25,200,000 Interest**

**Assumptions:**

- All projects authorized shall be approved by the State Building Commission.
- Bonds may be designated as college savings bonds pursuant to the Baccalaureate Education Savings for Tennessee Act.
- The coupon rate is estimated to be six percent.
- Bonds are issued for a term of 20 years.
- One-twentieth of the principal plus interest will be paid annually.
- Based on current bond market rates, it is estimated that the cost of capital reflected by a six percent coupon rate will be sufficient for paying actual first-year debt service plus any costs of issuance.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in cursive script, reading "James W. White".

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James W. White, Executive Director

/rnc

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